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TO: Celeste McDermott, Deputy Director - DCCC
Cable Commission

FROM: Irvin Corley, Jr., Fiscal Analysis Director

14.

DATE: May 4, 2007

RE: 2007-2008 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2007-2008 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

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Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Roger Short, Finance Department Director
Pam Scales, Budget Department Director
Renee Short, Budget Department
Kandia Milton, Mayor's Office

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Cable Commission

FY 2007-2008 Budget Analysis by the Fiscal Analysis Division

Summary

The mission of the Detroit Cable Communications Commission (DCCC) is to ensure the delivery of efficient and cost effective cable television and telecommunications systems to the residential and business communities of the City of Detroit.

The DCCC has two functions: administration and regulation; operation of the government and educational access channels.

There are two appropriations for the DCCC in the Non-Departmental Budget and a third appropriation where the franchise fee is recorded.

Personnel and Turnover Savings

<u>Appropriation/Program</u>	<u>Budgeted Positions FY 2006- 07</u>	<u>Filled Positions 3/31/2007</u>	<u>Mayor's Budget Positions FY 2007-08</u>	<u>Over/(Under) Actual to 06/07 Budget</u>	<u>Mayor's Recommended Turnover</u>
Cable Communications Commission (35)					
350330 Cable Commission	8	6	8	(2)	\$ -
00972 Cable Communications Commission	8	6	8	(2)	
350340 Government Access	2	2	2	0	\$ -
00973 Government Access	2	2	2	0	\$ -
Total	<u>10</u>	<u>8</u>	<u>10</u>	<u>(2)</u>	<u>\$ -</u>

As of March 31, 2007, the Cable Commission has eight contractual positions filled in the Government Access appropriation.

The Mayor recommends a total of \$1.94 million in appropriations for the Cable Commission, a \$200,000 increase from the current year. The increase is primarily from salary and employee benefits.

The Mayor recommends a revenue of \$4 million in Appropriation 05080 – Cable Franchise Fee. This represents a \$100,000 increase over the current year's budget.

Professional and Contractual Services:

Communication Department (35)

<u>Budgeted Professional and Contractual Services by Activity</u>	<u>FY 2006-07 Budget</u>	<u>FY 2007-08 Recommended</u>	<u>Increase (Decrease)</u>
Cable Commission	\$ 140,000	\$ 140,000	\$ -
Government/Education Access	\$ 308,564	\$ 366,292	\$ 57,728
Total	<u>\$ 448,564</u>	<u>\$ 506,292</u>	<u>\$ 57,728</u>

Issues and Questions

1. With the enactment of PA 480 of 2006, the Uniform Video Services Local Franchise Act, and the franchise agreement with AT&T approved by the Cable Commission in March 2007, has the cable market in Detroit become open to competition?
2. Are any other providers expected to enter the Detroit Market? What effect do you expect this competition to have on the rates paid by residents?
3. Explain to Council what the METRO Act Maintenance Fees cover (page 35-12). Who pays these fees? The fees are collected in the Department of Public Works, see page 19-38 of Executive Budget Activity Descriptions, with collections in 2005-06 of \$5.2 million the request for 2007-08 is reduced to \$2.8 million, why?
4. Explain the need to continue to spend \$1.8 million to \$1.9 million for the operations if there is no longer the need to negotiate local franchise agreements. Is there some point in the future where expenditures for the Cable Commission can be significantly reduced or possibly completely eliminated as a result of the new legislation? When might the reduction be reasonably expected?
5. Revenues in Appropriation 00972, Cable Communications Commission are decreasing by \$408,247 from the 2006-07 Budget, a 97% reduction. Explain the decrease in projected revenue collections (page 35-38).
6. Can you provide market penetration in Detroit for cable and internet services? Can you compare the Detroit market penetration numbers with other surrounding communities and the national average? What effect might the recently passed legislation have on increasing or decreasing the Detroit market penetration?
7. Cable franchise fee collections in 2005-06 were \$5.13 million. Why is only \$4 million budgeted in 2007-08, especially since the Detroit market is now open for competition, and the 2% PEG fee could generate \$1.2 million (page 35-13)?
8. Does the AT&T franchise agreement approved by the Cable Commission need Council approval? If so, when will it be presented to Council?

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